

From research to technology to product

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Translating from ideas to sales

- Research – Ideas translated to proof of concept – table top experiment
- Technology – Converting from proof of concept to real product
- Product – products that people are willing to buy at a price they are willing to pay for features that they are interested in.
- Production – a consistent, quality controlled way to produce a product in a **cost effective manner**
- Company – an entity that can produce product, develop a distribution system, sell and support the customer.

Technology

- What we have as an idea needs to mesh with what people want or need.
- If people want the products, then it is a matter of product management (feature set, pricing and marketing)
- Inventors are not necessarily product managers.
- If people need your product, but need to be educated, then the process is longer and more risky
- The best product does not necessarily win the game. The appropriate product wins. AOL.
- Don't overdevelop the technology. Get something to market fast, and then keep improving it. Get the first mover advantage.
- Don't fall in love with your ideas to the detriment of the business. Others should see what you see in your product.
- Simplify your technology presentation. Present at the 8th grade audience level. Busy executives don't have the time to listen to long complex presentations.

Products

- The key – product price, positioning and appropriateness of technology. Route science vs. Fatpipe.
- Ease of use. Make it so easy that it is almost dumb. Keep the harder to use features as level 2 features.
- Keep the products simple. The story of the perpetual improver who was caught up in his own world.
- Plan distribution upfront. Avoid products that are difficult to distribute or where distribution costs are high.
- Product pricing should include costs of sales and distribution. Generally use at least a 5:1 ratio for selling price to cost of goods – Amplifynet vs. Fatpipe. Don't hesitate to price it high – the case of the diagnostics machine – high selling costs need to be covered.
- Understand your customer – very important. Sell your concept in the hardest market first – they will tell you what you need to know. – Fatpipe telco sales in NYC.
- If you cant explain your products in 30 sec to a stranger – your salesfolks will have a difficult time selling the product.

Sales Channel

- Sales channel is important. Cost of the sales channel is even more important.
- Each field rep costs about \$100,000 to \$200,000 in fully burdened costs, and can make about 5-10 visits a week. And his sales will be dependent on product price, total sales price, leverage of contacts etc. Make sure you take it into account.
- Explore the inside sales model to lower costs and increase reach, if your product is less than \$25,000.
- Have a group of advisors to help you develop the right sales channel. This is a major make or break decision. Make sure you understand all the costs. Get targeted lists.
- Licensing does not bring in much money. 3% or 5% does not cover costs. You have to continually develop the product to earn that 3%. Very few licensing deals have resulted in big payoffs. Easy way to sell marginal products or high volume products.
- It is easy to get 50% of a \$50 MM market, than it is to get 5% of a billion dollar market.

Production

- Make sure you you can produce products in a consistent scalable manner.
- Cost control is essential. The higher your margins, the more money you have for sales, marketing, product development and support. 50% margins are not enough for tech products. 70%+ is better
- Avoid products that are labor intensive – production headaches and scalability.
- Quality control is very important. Your best salespeople are your current customers. So make sure they are happy. Take the Nordstrom's approach.

The Company

- The idea and product are only 5% - the other 95% of a company is marketing, sales, finance and management
- Modify the product if necessary to address a market that has a better distribution system or more receptive audience.
- Creating a distribution system is expensive. And manufacturer reps are not really your salespeople, they are facilitators.
- The CEO needs to be the Company's chief salesperson. Needs to be in front of the customer to really understand the customer – Lou Gerstner and Steve Jobs are good examples.
- Don't blame the customer if your product does not sell – it is the lack of proper positioning and marketing. Example: Dupont Corian – before and now.
- Support the customer – make sure you price the product such that you can really support the customer.
- Hire the best you can find who can fit into your company culture. Management cohesiveness is very important.